

Person to Contact: [REDACTED]

Telephone Number: [REDACTED]

Refer Reply to: [REDACTED]

CERTIFIED

SEP 26 1989

Dear Applicant:

We have considered your application for recognition of exemption from Federal Income Tax under Section 501(c)(3) of the Internal Revenue Code of 1986.

The information submitted discloses that you were incorporated on [REDACTED] under the nonprofit corporation laws of the State of [REDACTED].

According to your Articles of incorporation, the purpose of your corporation is "to make an impact in the lives of individuals through the Gospel of Jesus Christ. The goal of the corporation is to facilitate Biblical counseling in the context of interpersonal, intra-personal, and marital concerns, through marriage and family counseling, seminars, Bible teaching and preaching, music concerts, tape ministry, radio broadcasting and small group interaction...."

The primary activity of your organization is the operation of a counseling center. Your primary source of income is counseling and seminar fees. The counseling services are provided by [REDACTED] who has a M.A. in Biblical Counseling. The fees for these services are \$[REDACTED] per session. The average cost for therapy in other private practices in the area is \$[REDACTED] to \$[REDACTED] per session. Seminar fees are \$[REDACTED] the first hour and \$[REDACTED] for any additional hours.

Your organization is controlled by the following three individuals.

Position

President/Director
Secretary/Treasurer/Director
Vice President/Director

	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
Code	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Surname	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

John M. [REDACTED] 9/26/89

_____ are husband and wife. _____
_____ is the brother of _____

The following expenses appear in the financial statements of your organization.

<u>Nature of Expense</u>	<u>Amount</u>
1. Personal educational loans of _____	\$ _____
2. Personal lease of automobile by _____	\$ _____
3. Moving expenses of _____	\$ _____
4. Production of record album for _____	\$ _____
5. Entertainment of potential supporters of the organization.	\$ _____

In addition to the above expenses, a salary of \$ _____ per week is paid by the organization to _____ along with health insurance, life insurance and retirement benefits.

Section 501(c)(3) of the Code provides for the exemption from Federal Income Tax of corporations organized and operated exclusively for religious, charitable, literary, scientific, and educational purposes; no part of the net earnings of which inures to any private shareholder or individual.

Section 1.501(c)(3)-1 of the Tax Regulations relates to the definition of the organization and operation of organizations described in Section 501(c)(3). It is quoted, in part, as follows:

"(a) Organizational and operational tests. (1) In order to be exempt as an organization described in Section 501(c)(3), an organization must be both organized and operated exclusively for one or more of the purposes specified in such section. If an organization fails to meet either the organizational test or the operational test, it is not exempt. (2) The term "exempt purpose or purposes", as used in this section, means any purpose or purposes specified in Section 501(c)(3)...."

"(b) Operational test. (1) Primary activities. An organization will be regarded as "operated exclusively" for one or more exempt purposes only if it engages primarily in activities which accomplish one or more of such exempt purposes specified in Section 501(c)(3). An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of an exempt purpose. (2) Distribution of earnings. An organization is not operated exclusively for one or more exempt purposes if its net earnings inure in whole or in part to the benefit of private shareholders or individuals..."

Section 1.501(c)(3)-1(a) of the Income Tax Regulations provides that in order to be exempt as an organization described in Section 501(c)(3), the organization must be one that is both organized and operated exclusively for one or more of the purposes specified in that section. If an organization fails to meet either organizational or the operational test it is not exempt.

Section 1.501(c)(3)-1(e)(1) of the Income Tax Regulations provides that "an organization will be regarded as 'operated exclusively' for one or more exempt purposes only if it engages primarily in activities which accomplish one or more of such exempt purposes specified in Section 501(c)(3). An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of an exempt purpose."

Section 1.501(c)(3)-1(d)(1)(ii) of the Income Tax Regulations provides that an organization is not organized and operated exclusively for exempt purposes unless it serves a public rather than a private interest. Thus, it is necessary for an organization seeking exemption under Section 501(c)(3) to establish that it is not organized or operated for the benefit of private interests such as designated individuals, the creator or his family, shareholders of the organization, or persons controlled, directly or indirectly, by such private interests.

Your organization's primary activity is counseling which is conducted and controlled by your founding Director and President, [REDACTED]. Your Board of Directors is made up of your creator, his brother, and his wife. Substantially all of your income is either paid directly to your creator in the way of salary, or it is used to pay the personal and professional expenses of the creator and his family, such as food, transportation, moving expenses, educational loan expenses, entertainment expenses and recording expenses. The fees that are charged for your services are comparable to those charged by any other counselor with a private practice in the area.

Your organization does not qualify for exempt status under Section 501(c)(3) because you are operating for the private benefit of your creator. The payment of your creator's personal expenses constitutes inurement and is outside the scope of Section 501(c)(3) of the Code. In addition, your counseling service has the characteristics of a trade or business and is not in furtherance of an exempt purpose.

Accordingly, we have concluded that you are not entitled to recognition of exemption from Federal Income Tax under Section 501(c)(3) of the Code, since you are not organized and operated exclusively for charitable, religious, or other exempt purposes within the meaning of Section 501(c)(3).

You are required to file Federal Income Tax Returns.

Contributions made to you are not deductible by the donors as charitable contributions as defined in Section 170(c) of the Code.

[REDACTED]

If you do not agree with these conclusions, you may within thirty days from the date of this letter, file a brief of the facts, law and arguments (in duplicate) which clearly sets forth your position. In the event you desire an oral discussion of the issues, you should so indicate in your submission. A conference will be arranged in the Regional Office after you have submitted your brief to the Chicago District Office and we have had an opportunity to consider the brief and it appears that the conclusions reached are still unfavorable to you. Any submission must be signed by one of your principal officers. If the matter is to be handled by a representative, the Conference and Practice Requirements regarding the filing of a power of attorney and evidence of enrollment to practice must be met. We have enclosed Publication 892, Exempt Organization Appeal Procedures for Adverse Determinations, which explains in detail your rights and procedures.

If you do not protest this proposed determination in a timely manner, it will be considered by the Internal Revenue Service as a failure to exhaust available administrative remedies. Section 7428(b)(2) of the Internal Revenue Code provides in part that "A declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Court of Claims, or the District Court of the United States for the District of Columbia determines that the organization involved has exhausted administrative remedies available to it within the Internal Revenue Service".

Please keep this determination letter in your permanent records.

If you agree with this determination, please sign and return the enclosed Form 6018.

If we do not hear from you within 30 days from the date of this letter, this determination will become final. In accordance with Code Section 6104(c), we will notify the appropriate State officials of this action.

Very truly yours,

[REDACTED]
District Director

Enclosures:

Publication 892

Form 6018